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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

DR 22237

FORM 10-Q

(Mark One)

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **March 31, 1992**

or

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

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Commission File Number: 0-19651

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MAGAININ PHARMACEUTICALS INC.

(Exact name of registrant as specified in its charter)

L3Q

Delaware	**13-3445668**
(State or other jurisdiction of incorporation of organization)	*(I.R.S. Employer Identification No.)*

5110 Campus Drive, Plymouth Meeting, Pennsylvania, 19462
(Address of principal executive offices and Zip Code)

(215) - 941 - 4020
(Registrant's telephone number, including area code)

_____
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes [✓] No [ ]**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, $.002 Par Value - 7,054,790 Shares (May 8, 1992)

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MAGAININ PHARMACEUTICALS INC.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MAGAININ PHARMACEUTICALS INC.

(a development stage company)

CONDENSED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended		Nine Months Ended		June 29, 1987 (Inception) to
	March 31, 1991	March 31, 1992	March 31, 1991	March 31, 1992	March 31, 1992
Revenue:					
Research and development Collaborative contracts and grants	$ 112,500	$ 62,500	$ 175,000	$ 252,500	$ 625,000
Other income			1,040	750	58,403
Total revenue	$ 112,500	$ 62,500	$ 176,040	$ 253,250	$ 683,403
Costs and expenses:					
Research and development	926,033	1,856,421	2,628,696	3,884,410	10,697,953
General and administrative	393,058	425,503	1,034,687	1,233,612	5,587,211
	1,319,091	2,281,924	3,663,383	5,118,022	16,285,164
(Loss) from operations	(1,206,591)	(2,219,424)	(3,487,343)	(4,864,772)	(15,601,761)
Interest income	9,289	161,981	130,241	225,554	874,869
Interest expense	(25,175)	(20,920)	(65,633)	(319,334)	(434,339)
Net (loss)	$ (1,222,477)	$ (2,078,363)	$ (3,422,735)	$ (4,958,552)	$(15,161,231)
Net (loss) per share	$ (.28)	$ (.30)	$ (.79)	$ (.86)	
Weighted average shares outstanding	4,380,855	7,037,263	4,345,868	5,737,163	

MAGAININ PHARMACEUTICALS INC.

(A development stage company)

CONDENSED BALANCE SHEETS

	June 30, 1991	March 31, 1992 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$2,229,070	$ 920,380
Short-term investments	59,444	14,063,849
Prepaid expenses and other current assets	139,808	239,363
Total current assets	2,428,322	15,223,592
Furniture, equipment and leasehold improvements (net of accumulated depreciation and amortization)	2,287,303	2,048,897
Organization costs (less accumulated amortization)	34,345	17,173
Patent costs	275,136	464,839
Other assets	81,250	57,312
Total	$ 5,106,356	$ 17,811,813
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 338,766	$ 401,522
Equipment lease obligations - current	236,907	303,053
Total current liabilities	575,673	704,585
Equipment lease obligation - long term	532,404	409,324
Other	109,176	156,151
Total liabilities	1,217,253	1,269,060
Commitments and contingencies		
Stockholders' equity:		
Convertible preferred stock -- $.001 par value; shares authorized -- 9,211,031; shares issued and outstanding in Series at June 30, 1991 -- 8,968,395	8,969	
Common stock -- $.002 par value; shares authorized -- 15,000,000; shares issued at June 30, 1991 -- 462,222; shares issued and outstanding at March 31, 1992 -- 7,054,790	924	14,110
Additional paid-in capital	14,081,998	31,689,874
(Deficit) accumulated during the development stage	(10,202,679)	(15,161,231)
Total	3,889,212	16,542,753
Less treasury stock, at cost (54,623 common shares)	(109)	
Total stockholders' equity	3,889,103	16,542,753
Total	$ 5,106,356	$ 17,811,813

MAGAININ PHARMACEUTICALS INC.

(A development stage company)

CONDENSED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine Months Ended March 31,		June 23, 1987 (Inception) To March 31,
	1991	1992	1992
Cash flows from operating activities:			
Net (loss)	$(3,422,736)	$(4,956,552)	$(15,161,231)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:			
Common stock issued as consideration for compensation	1,825	5,660	8,267
Fair value of warrants issued		250,000	291,052
Depreciation and amortization	306,674	366,383	1,110,633
Deferred rent expense	81,862	45,975	156,151
Organization costs			(114,483)
Changes in operating assets and liabilities:			
(Increase) decrease in other assets	42,447	(75,617)	(296,675)
Increase (decrease) in accounts payable and accrued expenses	(21,748)	62,756	401,532
Net cash (used in) operating activities	(3,011,655)	(4,271,385)	(13,605,754)
Cash flows from investing activities:			
Short-term investments	746,781	(14,004,405)	(14,083,849)
Patent costs	(130,152)	(189,700)	(464,849)
Capital expenditures	(84,560)		(1,919,157)
Net cash provided by (used in) investing activities	523,069	(14,194,105)	(16,447,845)
Cash flows from financing activities:			
(Repayment) of notes payable	(17,425)		
Payments on capitalized equipment lease	(134,468)	(199,739)	(430,666)
Proceeds from sale of preferred and common stock and exercise of warrants	12,584	17,356,542	31,404,774
Treasury stock purchased			(109)
Net cash provided by (used in) financing activities	(139,309)	17,156,803	30,973,979
Net increase (decrease) in cash and cash equivalents	(2,627,905)	(1,308,690)	920,380
Cash and cash equivalents at beginning of period	3,568,931	2,229,070	
Cash and cash equivalents at end of period	$ 941,026	$ 920,380	$ 920,380
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	$ 65,633	$ 89,334	184,339
Supplemental disclosure of noncash investing and financing activities:			
Laboratory equipment acquired under a capital lease agreement	419,415	142,805	1,143,063

MAGAININ PHARMACEUTICALS INC.

(a development stage company)

NOTES TO CONDENSED FINANCIAL STATEMENTS
(unaudited)

A) Basis of Presentation

The accompanying condensed financial statements do not include all of the information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles, but in the opinion of management, contain all adjustments (which consist of only normal recurring adjustments) necessary for a fair presentation of such financial information. Results of operations for interim periods are not necessarily indicative of those to be achieved for full fiscal years. The condensed financial statements should be read in conjunction with the audited financial statements for the year ended June 30, 1991 included in the Company's Registration Statement on Form S-1 (File No. 33-43579).

B) Initial Public Offering

During December 1991, the Company issued 2,000,000 shares of common stock at $9.00 per share in an initial public offering. Net proceeds to the Company from the offering were $16,199,000 after deducting underwriting discounts of $1,260,000 and other expenses of $541,000. All the outstanding shares of convertible preferred stock of the Company (9,081,031 shares including 112,636 shares of Series F Preferred stock issued in October 1991) were automatically converted into 4,540,516 shares of common stock.

In January 1992, the Underwriters of the initial public offering exercised its over-allotment option to purchase an additional 104,600 shares of common stock at $9.00 per share. Net proceeds to the Company were $875,500 after deducting underwriting discounts of $65,900.

C) Marketable Securities

Marketable securities consist principally of U.S. Government securities and are stated at the lower of cost or market.

D) Line of Credit

The Company entered into a Credit Agreement in October, 1991 ("Credit Agreement") under which certain holders of preferred stock of the Company agreed to loan the Company up to $3,000,000 for working capital. On December 3, 1991, the Company borrowed $500,000 under the Credit Agreement. Pursuant to the terms of the agreement, the loan was repaid upon the completion of the initial public offering. The Company granted to the lenders under the Credit Agreement, warrants expiring in 2001, to purchase an aggregate of 250,000 shares of common stock at $8 per share. In connection therewith, the Company has recorded a non-cash charge of $2,000,000.

E) Net (loss) per share

The computation of weighted average shares used in computing net loss per common share includes all of the outstanding shares of convertible preferred stock for each of the interim periods as though they had been converted into common stock on their respective original issue dates. Outstanding options and warrants have not been considered since their effect would be antidilutive.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

Since commencement of operations in 1988, the Company has been a development stage company engaged primarily in research and development. The Company's research and development focus has been on the commercialization of certain proprietary host-defense technologies. The Company has not received any product revenue and has received insignificant amounts of revenue from grants. The Company has incurred net losses in each year since its inception and expects to incur additional losses for the next several years. At March 31, 1992, the Company's accumulated deficit was approximately $15,161,000.

Results of Operations

To date, the Company has received no revenue from product sales. Revenue from research and development activities, funded primarily under the Company's research and development agreement with Colgate-Palmolive Corporation ("Colgate") and pursuant to Small Business Innovative Research grants (SBIR), were approximately $112,500 and $62,500 for the three months ended March 31, 1991 and 1992, respectively and $175,000 and $252,500 for the nine months ended March 31, 1991 and 1992, respectively. The increase during the nine months ending March 31, 1992 reflects the receipt of increased funding from Colgate and the commencement of a two-year Phase Two $500,000 SBIR grant to develop treatment for certain gastrointestinal ailments. The funding from Colgate under its research and development agreement is subject to annual review and renewal by Colgate. The Company anticipates that, with the exception of funding from research and development activities, its revenues from operations will be limited for the foreseeable future.

The Company incurred research and development expenses of approximately $926,000 and $1,856,000 for the three months ended March 31, 1991 and 1992, respectively, and $2,629,000 and $3,884,000 for the nine months ended March 31, 1991 and 1992, respectively, primarily consisting of salaries, expenditures for sponsored research and laboratory supplies. The increase for the three and nine month periods ended March 31, 1992 from the comparable periods in 1991 are attributable to the Company's increased research and development activities, including pre-clinical studies

of the Company's initial topical anti-infective product candidate, MSI-78, and additional research expenditures in the areas of cancer, oral health care and wound healing. Research and development expenses are expected to continue to increase during 1992 as the Company expands its activities following the recent completion of its initial public offering, including the commencement of human clinical studies of the Company's initial topical anti-infective product candidate anticipated to begin during calendar 1992.

General and administrative expense, which consists of compensation expense for management, professional fees and other expenses, was $393,000 and $426,000 for the three months ended March 31, 1991 and 1992, respectively, and $1,035,000 and $1,234,000 for the nine months ended March 31, 1991 and 1992, respectively. The increase for the three and nine month periods ended March 31, 1992 from the comparable periods in 1991, is due primarily to increases in salary and related expenses and professional fees as a result of the increased level of Company activities. The expenses are expected to continue to increase during the remainder of fiscal 1992 as compared to the prior year as the Company further expands its activities.

The Company earned interest income of approximately $9,000 and $162,000 for the three months ended March 31, 1991 and 1992, respectively and approximately $130,000 and $226,000 for the nine months ended March 31, 1991 and 1992. The interest income resulted primarily from the investment, prior to expenditure for operations, of the proceeds of sales of the Company's securities. The variations of interest income are primarily due to fluctuations in cash balances and prevailing interest rates. Interest income is expected to increase during the remainder of fiscal 1992 as compared to the prior year as the Company invests, prior to expenditure for operations, the proceeds from its initial public offering of common stock. (See "Liquidity and Capital Resources.")

Interest expense was approximately $25,000 and $21,000 for the three months ended March 31, 1991 and 1992, respectively, and approximately $66,000 and $319,000 for the nine months ended March 31, 1991 and 1992, respectively. Interest expense for the periods ended March 31, 1991 consisted primarily of the interest component of capital leases for equipment. Included in interest expense for the nine months ended March 31, 1992 is a non cash charge of $250,000 which represents the ascribed value of warrants given to the lenders in connection with a Line of Credit Agreement. (The Credit Agreement expired upon the completion of the Company's initial public offering.)

The Company's net loss increased from approximately $1,222,000 during the three months ended March 31, 1991, to $2,078,000 for the three months ended March 31, 1992. The Company's net loss increased from approximately $3,423,000 during the nine months ended March 31, 1991 to $4,959,000 during the comparable 1992 period. These increases are primarily the results of increasing research and development expenditures relating to the expansion by the Company of its research and development efforts. The Company will be required to conduct significant research, development and testing activities which, together with projected general and administrative expenses, are

expected to result in continued losses for the foreseeable future, particularly due to the extended time period before the Company expects to commercialize any products.

Liquidity and Capital Resources

The Company completed its initial public offering of Common Stock in January 1992, generating net proceeds of $17,075,000. In addition to the cash from the public offering, the Company has financed its operations in fiscal 1992 through contract and grant revenues, interest income and lease financing. The Company also received in October 1991 approximately $282,000 from the sale of Series F Preferred Shares, which were subsequently converted to common stock. As of March 31, 1992, cash and cash equivalents and short-term investments were $14,984,000.

The Company's long term capital expenditure requirements will depend upon numerous factors, including the progress of the Company's research and development programs, the time required to obtain regulatory approvals, the ability of the Company to enter into additional collaborative arrangements, the demand for products based on the Company's technology, (if and when such products are approved) and possible acquisitions of products, technologies and companies. The Company will require significant additional funds to commercialize any potential products, and it intends to seek such funds through collaborative arrangements with third parties and future offerings of securities.

PART II

OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

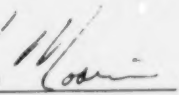
(b) Reports on Form 8-K

There were no reports on Form 8-K filed for the three months ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Magainin Pharmaceuticals Inc.
(Registrant)



Date May 8 , 1992

Jay Moorin
President & Chief Executive Officer
(And Principal Financial Officer)